

May 26, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.00	SMERA B/Stable (Assigned)
Bank Guarantee	0.70	SMERA A4 (Assigned)
Bill Discounting	3.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B' (read as SMERA single B)** and a short-term rating of '**SMERA A4' (read as SMERA A four)** to the Rs.7.70 crore bank facilities of DNA Agrotech Private Limited (DAPL). The outlook is '**Stable**'. The ratings are constrained by the company's weak financial risk profile, working capital-intensive business and small-scale operations. The ratings are also constrained by the company's exposure to intense competition. However, the ratings draw comfort from the extensive experience of the company's management.

DAPL, incorporated in 2004, is an Assam-based company engaged in manufacturing of vermicompost. DAPL also undertakes trading of coal and bamboo chips. The company's weak financial risk profile is marked by high leverage (total outside liabilities to tangible net worth ratio) of 1.98 times as on March 31, 2014. DAPL's net profit margin is low at 1.44 per cent in FY2013-14 (refers to financial year, April 01 to March 31). The company's working capital cycle is stretched at ~73 days in FY2013-14. DAPL has small-scale operations marked by operating income of Rs.10.29 crore in FY2013-14. The company is exposed to intense competitive pressure.

DAPL benefits from its experienced management. The directors of the company have around two decades of experience in the bio-fertilizer industry.

Outlook: Stable

SMERA believes DAPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and net cash accruals while achieving efficient working capital management. The outlook may be revised to 'Negative' in case the company registers lower-than-expected net cash accruals, or in case of significant deterioration in the company's working capital management or financial risk profile.

About the company

DAPL, incorporated in 2004, is an Assam-based company promoted by Mr. Dilip Paul, Mrs. Monalisa Nandi, Mr. Narottam Nandi and Mrs. Minakshi Bora. DAPL is engaged in manufacturing of vermicompost. The company also supplies coal and bamboo chips to Naragaon Paper Mills.

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SMERA RATINGS LIMITED

DNA Agrotech Private Limited (DAPL)

Rating Rationale

For FY2013–14, DAPL reported net profit of Rs.0.15 crore on total income of Rs.10.29 crore, as compared with net profit of Rs.0.32 crore on total income of Rs.8.13 crore in FY2012–13. The company's net worth stood at Rs.2.32 crore as on March 31, 2014, as compared with Rs.2.17 crore a year earlier.

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